COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

REPORT TO THE HOUSE HEALTH AND HUMAN SERVICES COMMITTEE, THE SENATE HEALTH AND HUMAN SERVICES COMMITTEE AND THE JOINT BUDGET COMMITTEE

ON

PHARMACY UTILIZATION PLAN FY 2009-10

DECEMBER 1, 2009

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INTRODUCTION

The Pharmacy Utilization Plan FY 2009-10 is required by 25.5-5-506(3)(b), C.R.S. (2009) as stated below.

> (b) The state department shall report to the Health and Human Services Committees for the House of Representatives and the Senate, or any successor committees, and the Joint Budget Committee no later than December 1, 2003, and each December 1 thereafter, on plan utilization mechanisms that have been implemented or that will be implemented by the state department, the time frames for implementation, the expected savings associated with each utilization mechanism, and any other information deemed appropriate by the health and human services committees, or any successor committees, or the Joint Budget Committee.

The Department of Health Care Policy and Financing (the Department) has continued to pursue reductions in pharmaceutical expenditures. The Department has implemented several utilization mechanisms to control costs while allowing access to medications for clients who need them. Such mechanisms include limits on certain drugs, prior authorizations and selecting drug classes for the Preferred Drug List (PDL). The Department is also considering other utilization mechanisms to determine if they would result in any reduction in expenditure. The Drug Utilization Review (DUR) Board established by the Department continues to review drug utilization issues and make recommendations to the Department to optimize appropriate prescription drug use. The DUR Board findings are used by the Department to review identified drugs and to achieve expenditure reduction in pharmaceuticals. Finally, the Department will continue to monitor monthly drug expenditures and provider/client utilization patterns.

In most cases, the Department identifies the utilization mechanisms that have been implemented to generate a reduction in expenditures to a specific prescription drug class, rather than attempting to identify a savings to the overall Department's pharmaceutical budget. As an example, the reduction in expenditure from the implementation of a prior authorization on certain drugs in a drug class may have caused clients to shift to another drug in a different therapeutic drug class, which may act as a substitute. The increase in the utilization for drugs in other therapeutic classes is not measurable, since there are many drugs that have multiple indications or used for off-label indications, which are indications not approved by the Food and Drug Administration.

Please note that the savings and cost-avoidance identified in this report that reduced FY 2008-09 expenditure are already reflected in the Department's forecasts and per capita trends for Medical Services Premiums. Any further reduction to the Department's appropriation would double-count the impact of the pharmacy utilization plan.

PLAN UTILIZATION MECHANISMS PREVIOUSLY IMPLEMENTED

The following calculations contain FY 2008-09 measures of the reductions in expenditure for each of the Department's utilization control initiatives. In certain categories, the FY 2008-09 data below varies from last year's Pharmacy Utilization Plan (FY 2008-09 Report) as the data is now complete and also because the calculations were refined and improved.

The Department believes that it is important to note that unmeasurable market factors may affect the reductions in expenditures realized by the implementation of these utilization mechanisms. This is particularly true for prior authorizations that were implemented more than a year ago. The Department does not believe it is possible to accurately predict the potential reduction in expenditure after a prior authorization has been implemented for more than a year. There are potential methodologies but many factors make these methodologies unreliable. Those factors include the introduction of new drugs in the drug class, withdrawal of drugs from the market, new drugs in different drug classes that treat the same condition and new studies regarding the effectiveness of the drug.

PDL

As stated in last year's report, Governor Ritter signed Executive Order D 004 07 in January 2007 establishing a PDL for Colorado's Medicaid program. The purpose of this program is to provide clinically appropriate medications to Medicaid clients while decreasing expenditures on pharmaceuticals. This is accomplished by selecting drugs based on safety, effectiveness, and clinical outcomes from classes of medications where there are multiple drug alternatives available and supplemental rebates from drug manufacturers. Since the authority was given to implement a PDL, the majority of the Department's Pharmacy Utilization Plan has switched from prior authorization mechanisms to implementing drug classes on the PDL since there is more saving associated with the PDL through supplemental rebates from drug manufacturers.

The PDL provides savings by receiving supplement rebates from pharmaceutical manufacturers and by migrating utilization to the lesser expensive Preferred Product(s). Supplemental rebates are rebates in addition to the federally required rebates from manufacturers offered to the Department for selecting a drug for the PDL. It is difficult to determine the exact amount of savings from the PDL that comes from supplemental rebates versus migration to a Preferred Product(s) for each drug class; however, the Department will provide an aggregate amount based on supplemental rebate invoices paid to the Department by pharmaceutical manufacturers in FY 2008-09 in the summary at the end of the report.

In some cases, the supplemental rebates have not been enough to offset the increased utilization and price of the Preferred Product. In these cases, the savings estimates are listed as negative values, indicting that the switch to a Preferred Product has generated additional costs. The Department will evaluate these classes for alternative savings options such as the State Maximum Allowable Cost program in the upcoming year.

The Department adds new drug classes to the PDL on a quarterly basis. Existing drug classes are reevaluated yearly. The following utilization data is broken down by the quarter each drug class was implemented.

New PDL Classes Implemented February 1, 2008

Proton Pump Inhibitors

For the February 1, 2008 implementation, PREVACID capsules and solutabs and NEXIUM capsules were selected as the Preferred drugs for this class. ACIPHEX, omeprazole, pantoprazole, NEXIUM packets, PREVACID suspension, PREVPAC, PRILOSEC OTC, PROTONIX and ZEGRID were selected as Non-preferred products.

Since this class was first implemented in February 2008, the savings for FY 2008-09 is for a complete year of data.

FY 2008-09 estimated reduction in expenditure within this drug class: $2,758,434

This class was reevaluated for implementation January 1, 2009. At this review, PREVACID and PRILOSEC OTC were selected as the Preferred drugs for this class. ACIPHEX, omeprazole, pantoprazole, NEXIUM, PREVACID suspension, PREVPAC, PROTONIX and ZEGRID were selected as Non-preferred products. While some of the Preferred products have changed, the savings for FY 2009-10 are forecasted to be the same.

FY 2009-10 estimated reduction in expenditure within this drug class: $2,758,434

New PDL Classes Implemented April 1, 2008

Sedative/Hypnotics

For the April 1, 2008 implementation, ROZEREM, LUNESTA and Zolpidem were selected as the Preferred drugs for this class. Brand name AMBIEN and SONATA were selected as Non-preferred products.

Since this class was first implemented in April 2008, the savings for FY 2008-09 is for a complete year of data.

FY 2008-09 estimated reduction in expenditure within this drug class: $282,531

This class was reviewed again for implementation April 1, 2009. At this review, AMBIEN CR, ROZEREM and Zolpidem were selected as the Preferred drugs for this class. Brand name AMBIEN, LUNESTA and SONATA were selected as Non-preferred products. While some of the Preferred products have changed, the savings for FY 2009-10 are forecasted to be the same.

FY 2009-10 estimated reduction in expenditure within this drug class: $282,531

Statins and Statin Combinations
For the April 1, 2008 implementation, LIPITOR, CRESTOR and Pravachol were selected as the Preferred drugs for this class. ALTOPREV, LESCOL, LESCOL XL, lovastatin, MEVACOR, PRAVACOL, simvastatin, CADUET, VYTORIN, ADVICOR and ZOCOR were selected as Non-preferred products.

Since this class was also first implemented in April 2008, the savings for FY 2008-09 is for a complete year of data.

FY 2008-09 estimated reduction in expenditure within this drug class: $941,448

This class was reviewed again for implementation April 1, 2009. At this review, LIPITOR, CRESTOR and Pravachol and simvastatin were selected as the Preferred drugs for this class. ALTOPREV, LESCOL, LESCOL XL, lovastatin, MEVACOR, PRAVACOL, CADUET, VYTORIN, ADVICOR and ZOCOR were selected as Non-preferred products. While one of the Preferred products changed, the savings for FY 2009-10 are forecasted to be the same.

FY 2009-10 estimated reduction in expenditure within this drug class: $941,448

New PDL Classes Implemented July 1, 2008

Newer Generation Antihistamines
Loratadine (generic OTC Claritin), cetirizine (generic OTC Zyrtec) were selected as the Preferred drugs for this class. ALLEGRA, CLARINEX, CLARITIN, fexofenadine (generic Allegra), XYZAL, ZYRTEC, ALLEGRA-D, CLARINEX-D, CLARITIN-D, loratadine-D, SEMPREX-D and ZYRTEC-D (cetirizine-D) were selected as Non-preferred products.

Since this class was first implemented in July 2008, the savings for FY 2008-09 is for a complete year of data.

FY 2008-09 estimated reduction in expenditure within this drug class: $355,349

This class was reviewed again for implementation July 1, 2009. At this review, the Preferred products stayed the same; therefore, the estimated reduction in expenditure for FY 2009-10 is forecasted to be the same.

FY 2009-10 estimated reduction in expenditure within this drug class: $355,349

Antihypertensives
ATACAND, AVAPRO, BENICAR, COZAAR, DIOVAN, MICARDIS, ATACAND-HCT, AVALIDE, BENICAR-HCT, HYZAAR-HCT, DIOVAN-HCT and MICARDIS-HCT were selected as the Preferred drugs for this class. TEVETEN, TEVETEN-HCT, TEKTURNA and TEKTURNA HCT were selected as Non-preferred products.

Since this class was first implemented in July 2008, the savings for FY 2008-09 is for a complete year of data.

FY 2008-09 estimated reduction in expenditure within this drug class: $91,733

This class was reviewed again for implementation July 1, 2009. At this review, the Preferred products stayed the same; therefore, the estimated reduction in expenditure for FY 2009-10 is forecasted to be the same.

FY 2009-10 estimated reduction in expenditure within this drug class: $91,733

Long Acting – Oral Opioids
KADIAN, methadone and morphine ER were selected as the Preferred drugs for this class. AVINZA, DOLOPHINE, MS CONTIN, ORAMORPH SR, OXYCONTIN and OPANA ER were selected as Non-preferred products.

Since this class was first implemented in July 2008, the savings for FY 2008-09 is for a complete year of data.

FY 2008-09 estimated reduction in expenditure within this drug class: $2,428,233

This class was reviewed again for implementation July 1, 2009. At this review, the Preferred products stayed the same; therefore, the estimated reduction in expenditure for FY 2009-10 is forecasted to be the same.

FY 2009-10 estimated reduction in expenditure within this drug class: $2,428,233

Respiratory Inhalants Inhaled
Albuterol/ipratropium, ipratropium, ATROVENT HFA, COMBIVENT, SPIRIVA Handihaler, albuterol solution, MAXAIR, PROAIR HFA inhaler, PROVENTIL HFA inhaler, VENTOLIN HFA inhaler, PULMICORT respules, FLOVENT HFA inhaler, FLOVENT diskus, PULMICORT flexhaler and QVAR inhaler were selected as the Preferred drugs for this class. ATROVENT solution, DUONEB, ACCUNEB solution, AIRET solution, ALUPENT solution, PROVENTIL solution, VENTOLIN solution, XOPENEX solution, ALUPENT Inhaler, XOPENEX, BROVANA solution, PERFOROMIST solution, FORADIL inhaler, SEREVENT AEROBID inhaler, ASMANEX twisthaler, AZMACORT, ADVAIR Diskus & HFA and SYMBICORT were selected as Non-preferred products.

Since this class was first implemented in July 2008, the savings for FY 2008-09 is for a complete year of data.

FY 2008-09 estimated reduction in expenditure within this drug class: $852,148

This class was reviewed again for implementation July 1, 2009. At this review, the Preferred products stayed the same; therefore, the estimated reduction in expenditure for FY 2009-10 is forecasted to be the same.

FY 2009-10 estimated reduction in expenditure within this drug class: $852,148

Skeletal Muscle Relaxants

Baclofen, cyclobenzaprine, dantrolene, tizanidine and methocarbamol were selected as the Preferred drugs for this class. AMRIX ER, carisoprodol, DANTRIUM (dantrolene) – Brand, FEXMID, FLEXERIL (cyclobenzaprine) – Brand, LIORESAL (baclofen) – Brand, NORFLEX, PARAFLEX, PARAFON FORTE, RELA, REMULAR, ROBAXIN (methocarbamol) – Brand SKELAXIN, SOMA, VANADOM and ZANAFLEX were selected as Non-preferred products.

Since this class was first implemented in July 2008, the savings for FY 2008-09 is for a complete year of data.

FY 2008-09 estimated reduction in expenditure within this drug class: $401,058

This class was reviewed again for implementation July 1, 2009. At this review, the Preferred products stayed the same; therefore, the estimated reduction in expenditure for FY 2009-10 is forecasted to be the same.

FY 2009-10 estimated reduction in expenditure within this drug class: $401,058

New PDL Classes Implemented October 1, 2008

Stimulants

CONCERTA, VYVANSE, ADDERALL XR, FOCALIN XR, amphetamine (generic ADDERALL) and methylphenidate (generic RITALIN) were selected as the Preferred drugs for this class. PROVIGIL, STRATTERA, DE XEDRINE, FOCALIN, MEDTADATE CD, DAYTRANA, METADATE ER, RITALIN (brand only) and ADDERALL (brand only) were selected as Non-preferred products.

Since this class was implemented in October of 2008, the estimated reduction in expenditure shown below for FY 2008-09 is only for three quarters.

FY 2008-09 estimated reduction in expenditure within this drug class: $1,474,861

This class was reviewed again for implementation October 1, 2009. At this review CONCERTA, VYVANSE, generic ADDERALL XR, FOCALIN XR, amphetamine (generic ADDERALL) and methylphenidate (generic RITALIN) were selected as the Preferred drugs for this class. PROVIGIL, STRATTERA, DEXEDRINE, FOCALIN, MEDTADATE CD, DAYTRANA, METADATE ER, RITALIN (brand only) and ADDERALL (brand only) were selected as Non-preferred products.

Since this class will have four quarters of savings, the forecasted reduction in expenditure shown below for FY 2009-10 is for all four quarters.

FY 2009-10 estimated reduction in expenditure within this drug class: $1,966,481

New PDL Classes Implemented January 1, 2009

Antiemetics
Ondansetron tablets, ondansetron ODT tablets, ondansetron suspension, ZOFRAN tablets
ZOFRAN ODT tablets and EMEND were selected as the Preferred drugs for this class. ANZEMET, KYTRIL, SANCUSO, ALOXI and brand name ZOFRAN suspension were selected as Non-preferred products.

Since this class was implemented in January of 2009, the estimated reduction in expenditure shown below for FY 2008-09 is only for two quarters.

FY 2008-09 estimated reduction in expenditure within this drug class: ($5,752)

This class will be reevaluated for implementation January 1, 2010; however it is unknown which Preferred products will be selected. The estimated reduction in expenditure listed below for FY 2009-10 is a forecast based on the previous fiscal year.

FY 2009-10 estimated reduction in expenditure within this drug class: ($11,504)

Triptans
IMITREX tablets, nasal spray and injection, sumatriptan tablets, nasal spray and injection, MAXALT tablets, MAXALT MLT tablets were selected as the Preferred drugs for this class. AXERT, AMERGE, FROVA, RELPAX, ZOMIG and TREXIMET were selected as Non-preferred products.

Since this class was implemented in January of 2009, the estimated reduction in expenditure shown below for FY 2008-09 is only for two quarters.

FY 2008-09 estimated reduction in expenditure within this drug class: ($237,996)

This class will be reevaluated for implementation January 1, 2010; however it is unknown which Preferred products will be selected. The estimated reduction in expenditure listed below for FY 2009-10 is a forecast based on the previous fiscal year.

FY 2009-10 estimated reduction in expenditure within this drug class: ($475,992)

New PDL Classes Implemented April 1, 2009

Since all of the following classes were implemented in April of 2009, the estimated reduction in expenditure shown below for FY 2008-09 is only for one quarter. All of these classes will be reviewed for implementation April, 1, 2010. The forecasted reduction in expenditure for FY 2009-10 is for all four quarters.

Growth Hormones
GENOTROPIN, NORDITROPIN and TEV-TROPIN were selected as the Preferred drugs for this class. HUMATROPE, NUTROPIN, OMNITROPE, SAIZEN, SEROSTIM and ZORBTIVE were selected as Non-preferred products.

FY 2008-09 estimated reduction in expenditure within this drug class: $117,891

FY 2009-10 estimated reduction in expenditure within this drug class: $471,564

Intranasal Corticosteroids
Fluticasone, NASONEX and VERAMYST were selected as the Preferred drugs for this class. BECONASE AQ, FLONASE, NASACORT AQ, NASAREL, OMNARIS and RHINOCORT AQ were selected as Non-preferred products.

FY 2008-09 estimated reduction in expenditure within this drug class: ($193,677)

FY 2009-10 estimated reduction in expenditure within this drug class: ($774,708)

Leukotriene Modifiers
SINGULAIR was selected as the Preferred drug for this class. ACCOLATE was selected as Non-a preferred product.

FY 2008-09 estimated reduction in expenditure within this drug class: $1,817

FY 2009-10 estimated reduction in expenditure within this drug class: $7,268

Ophthalmic Allergy
CROMOLYN, PATANOL, PATADAY and ZADITOR were selected as the Preferred drugs for this class. ALAMAST, ALAWAY, ALOCRIL, ALOMIDE, ELESTAT, EMADINE and OPTIVAR were selected as Non-preferred products.

FY 2008-09 estimated reduction in expenditure within this drug class: $46,361

FY 2009-10 estimated reduction in expenditure within this drug class: $185,444

PLAN UTILIZATION MECHANISMS TO BE IMPLEMENTED IN FY 2009-10

The Department's main focus will continue to be on adding classes to the PDL. In addition, the Department will continue to monitor drug utilization, trends and safety information to determine if additional drugs should be placed on prior authorization.

The Department has continued to expand the PDL in FY 2009-10 by added several more classes. As FY 2009-10 is not yet complete, the FY 2009-10 figures below are forecasts. The total savings from the FY 2009-10 classes will be reported in the FY 2010-11 report. While the PDL classes can be forecasted, drugs placed on prior authorization cannot. Savings for drugs placed on prior authorization will also be reported in the FY 2010-11 report.

PDL Implemented July 1, 2009

No new classes were added to the PDL this quarter because the PDL Pharmacist position was vacant and this quarter already has a significant amount of classes to reevaluate.

New PDL Classes Implemented October 1, 2009

Bisphosphonates, Erythropoeisis Stimulating Agents and drugs for Diabetes Management were added to the PDL October 1, 2009. Based on the number of claims for these drugs and the supplemental rebate offers received, the following forecasts for FY 2009-10 are below.

Bisphosphonates

FY 2009-10 estimated reduction in expenditure within this drug class: $18,329

Erythropoeisis Stimulating Agents

FY 2009-10 estimated reduction in expenditure within this drug class: $19,915

Diabetes Management

FY 2009-10 estimated reduction in expenditure within this drug class: $43,262

New PDL Classes to be Implemented March 1, 2009

In the Department's budget request ES-2, "Medicaid Program Reductions," August 24, 2009, the Department proposed to reduce its expenditure for Medicaid services in FY 2009-10 and FY 2010-11 by expanding the PDL in March 2010. The Department estimated that it would receive an additional $1.3 million savings in supplemental rebates in FY 2009-10, annualizing to a total savings of $5.6 million in FY 2010-11. However, the drug classes which will become part of the PDL were not yet identified at the time of the budget request. The Department will report on the implementation of this initiative in the FY 2010-11 Pharmacy Utilization Plan.

Prior Authorizations Implemented October 1, 2009

Suboxone and Subutex
As previously stated, the data is not available to estimate the reduction in expenditure for drugs placed on prior authorization. The total savings for these drugs will be reported in the FY 10-11 report.

The following approval criteria were placed on Suboxone and Subutex.

Suboxone will be approved if both of the following criteria are met:
- The prescriber is authorized by the manufacturer to prescribe Suboxone
- The client has an opioid dependency

- Suboxone will not be approved for the treatment of pain.
- Suboxone will not be approved for more than 24mg of buprenorphine per day

Subutex will be approved if all of the following criteria are met:
- The prescriber is authorized by the manufacturer to prescribe Subutex
- The client has an opioid dependency
- The client is pregnant or the client is allergic to Naloxone

- Subutex will not be approved for the treatment of pain.
- Subutex will not be approved for more than 24mg/day

PDL to be Implemented January 1, 2010 and April 1, 2010

The Department will add Newer Generation Antidepressants and the following classes used to treat pulmonary hypertension (Phosphodiesterase Inhibitors, Prostanoids, and Endothelin Antagonists) to the PDL January 1, 2010. Since these classes have not been implemented with their selected Preferred products at the time of this report, the estimated reduction in expenditure will be reported in the FY 2010-11 report.

The classes set to be implemented in April 2010 have not been selected by the Department; therefore, it is impossible to estimate a reduction in expenditure at this time. These classes will also be reported in the FY 2010-11 report.

CONCLUSION

The Department has implemented a number of drug utilization mechanisms to control costs such as adding classes to the PDL and requiring prior authorizations for drugs. In most sections of this report, the Department identifies the utilization mechanisms that have been implemented to generate a reduction in expenditures to a specific prescription drug class, rather than attempting to identify a savings to the overall Department's pharmaceutical budget. Some mechanisms to control costs involve certain restrictions on drugs while others involve obtaining supplemental

rebates from manufacturers for individual drugs. A summary of the estimated reduction in expenditures by drug class realized from these mechanisms is listed below.

FY 2008-09 estimated reduction in expenditure by drug utilization mechanism:

Proton Pump Inhibitors..... $2,758,434
Sedative/Hypnotics.....$282,531
Statin and Statin Combinations..... $941,448
Newer Generation Antihistamines..... $355,349
Antihypertensives..... $ 91,733
Opioids..... $2,428,233
Respiratory Inhalants Inhaled.....$852,148
Skeletal Muscle Relaxants.....$401,058
Stimulants.....$1,474,861
Antiemetics.....($5,752)
Triptans.....($237,996)
Growth Hormone..... $117,891
Intranasal Corticosteroids.....($193,677)
Leukotrienes.....$1,817
Ophthalmic Allergy.....$46,361

TOTAL SAVINGS FY 2008-09..... $9,314,439

The estimated reduction in expenditure due to supplemental rebates is $4,167,413.
The estimated reduction in expenditure due to migration to a Preferred Products is $5,147,026.

FY 2009-10 estimated reduction in expenditure by drug utilization mechanism:

Proton Pump Inhibitors..... $2,758,434
Sedative/Hypnotics..... $282,531
Statin and Statin Combinations..... $941,448
Newer Generation Antihistamines..... $355,349
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Stimulants.....$1,966,481
Antiemetics.....($11,504)
Triptans.....($475,992)
Growth Hormone..... $471,564

Intranasal Corticosteroids.....($774,708)
Leukotrienes.....$7,268
Ophthalmic Allergy.....$185,444
Bisphosphonates.....$18,329
Erythropoeisis Stimulating Agents..... $19,915
Diabetes Management.....$43,262

TOTAL ESTIMATED SAVINGS FY 2009-10.....$9,560,993

The estimated reduction in expenditure due to supplemental rebates is $4,277,725.
The estimated reduction in expenditure due to migration to a Preferred Products is $5,283,268.